Teacher Compensation: The Case for Flexibility

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The teaching profession faces stark recruitment and retention challenges. One-third of teachers leave within their first five years, the job is becoming harder as behaviour worsens, and teachers’ wellbeing is declining. On the other side of the ledger, pay has declined by 14 per cent relative to comparable professions since 2010. The twin challenges are how to hang on to teachers who are wavering in their commitment to the profession, and how to attract talented people to a profession that is enormously meaningful but is perhaps less attractive than it used to be.

Pay increases would help but seem unlikely given the current fiscal constraints. The government has proposed increasing teachers’ pay by only 2.8 per cent next year, which is below the rate of inflation and will do little to close the gap to comparable professions. Even that increase would squeeze school budgets further, with the latest [government figures show](https://schoolsweek.co.uk/schools-can-afford-less-than-half-of-proposed-2-8-pay-rise-admits-dfe/)ing that schools will need to make savings to afford it under the current funding arrangements.

In these circumstances, schools need the tools to make the money they have go further and improve their offer to teachers without spending more. One possibility is to offer teachers more flexibility in how their total compensation is structured. The current system treats all teachers identically, despite their diverse financial situations. Every teacher in a state-funded school is automatically enrolled in the Teachers’ Pension Scheme (TPS) - a defined benefit pension with a combined contribution rate of 38.6 per cent of salary. Teachers contribute a fixed percentage based on their salary band (averaging 9.6 per cent), with no option to adjust this rate.

This fixed balance between salary and pension may work for many teachers, but not all of them. If we want to retain the teachers we have, and attract potential teachers who are on the fence about the profession, we need to be thinking about those people, too, not just the average. After all, the average teacher remains in the profession every year until retirement. It is those marginal teachers who don’t feel the current pay offer quite fits them that need something else to persuade them to stay.

Our survey of 5,700 teachers, in collaboration with Teacher Tapp, reveals clear differences in teacher’s preferences over the balance of their compensation. Salary increases affect the wellbeing of teachers in their twenties twice as much as teachers in their fifties. When asked directly, 19 per cent of teachers under 30 would trade pension benefits for higher salary, compared to just 11 per cent of those over 50. For young teachers with student debt or saving for a home deposit, rebalancing their compensation to provide an additional £200-300 in monthly take-home pay could make a huge difference. For mid-career teachers facing childcare costs or supporting elderly parents, temporary flexibility could help weather financial pinch points without leaving the profession.

Of course, it is important that teachers not only have the flexibility to meet their immediate needs, but also a secure retirement income. Most teachers recognise the value of their defined benefit pension in the TPS, which provides guaranteed retirement income regardless of investment performance or how long they live in retirement. Yet other public sector workers already have more options. The Civil Service Pension Scheme has offered flexibility since 2002, allowing civil servants to choose either the security of the defined benefit pension (similar to the TPS) or to trade some pension for cash in a defined contribution scheme. Civil servants are also allowed to switch between these schemes as their careers progress and enjoy the best of both.

Meanwhile, significant numbers of teachers are already opting out entirely - the worst possible outcome because they forego the school’s 28 per cent pension contribution entirely, gaining only about 10 per cent in income and missing out on any pension. They are forced to do that in tight financial circumstances because no option exists for them to adjust their contributions. A large multi-academy trust, United Learning, has about 10 per cent of its teachers opting out of the TPS entirely and, in our survey, we found about 1.5 per cent of teachers in the state sector opting out.

This flexibility could also make teaching more attractive to career-changers who might have different financial priorities than those entering teaching directly from university. For people comparing teaching to a typical job with a higher salary but a less generous pension, the salary cut may put them off. Providing the flexibility to trade some pension for salary could make the profession more competitive to people who are on the fence about joining but end up elsewhere.

Introducing thoughtful flexibility doesn’t mean abandoning retirement security. Rather, it recognises that different teachers have different needs at different career stages. In a profession where we ask teachers to personalise education for their students, it’s time we personalised compensation to meet teachers’ diverse needs.

*[James Zuccollo is Director for School Workforce at the Education Policy Institute. This article is based on EPI’s report “What pensions do teachers want?” which surveyed over 5,700 teachers on their compensation preferences.]*